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LUBIN & ENOCH, P.C.
Nicholas J. Enoch
State Bar No. 016473
Jarrett J. Haskovec
State Bar No. 023926
349 North Fourth Avenue
Phoenix, Arizona 85003
Telephone: (602) 234-0008
Facsimile: (602) 626-3586
E-mail: nick@lubinandenoch.com

Attorneys for Intervenors
IBEW Locals 387, 640 & 769

**BEFORE THE ARIZONA
CORPORATION COMMISSION**

IN THE MATTER OF THE
APPLICATION OF ARIZONA PUBLIC
SERVICE FOR A HEARING TO
DETERMINE THE FAIR VALUE OF
THE UTILITY PROPERTY OF THE
COMPANY FOR RATEMAKING
PURPOSES, TO FIX A JUST AND
REASONABLE RATE OF RETURN
THEREON, AND TO APPROVE RATE
SCHEDULES DESIGNED TO
DEVELOP SUCH RETURN.

Docket No. E-01345A-08-0172

**REPLY BRIEF FOR IBEW
LOCALS 387, 640, AND 769**

Pursuant to the directive of Chief Administrative Law Judge Lyn Farmer,
Intervenors Local Union 387, International Brotherhood of Electrical Workers, AFL-CIO,
CLC ("IBEW Local 387"), Local Union 640, International Brotherhood of Electrical
Workers, AFL-CIO, CLC ("IBEW Local 640"), and Local Union 769, International
Brotherhood of Electrical Workers, AFL-CIO, CLC ("IBEW Local 769"), by and through
undersigned counsel, hereby submit their Reply Brief in this docket.

**I. THE RECORD DOES NOT DEMONSTRATE THAT "GOLD PLATING"
IS AN ACTUAL, SIGNIFICANT, AND ONGOING PROBLEM AT APS.**

In her Post-Hearing Brief in this docket, Intervenor Ms. Wyllie-Pecora continues
to suggest that APS has regularly engaged in "gold plating" practices in the past. By
"gold plating," Ms. Willie-Pecora is apparently referring to a practice by which a public
service company, by virtue of its status as a regulated monopoly, systematically submits
unjustified and unduly-inflated price quotes to those seeking line extensions, ostensibly in

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1 an effort to bring in additional revenue (Intervenor Ms. Wyllie-Pecora's Post-Hearing
2 Brief, at pp. 11-13).¹ IBEW Locals 387, 640, and 769 respectfully submit that such a
3 suggestion is unfounded on this record and is, at its core, merely based on conjecture,
4 surmise, and several unwarranted and unproven assumptions as to APS' incentive
5 structures and behavior.

6 Rather, the record in this case reveals that APS only charges line extension
7 customers on a reasonable, "minimum cost to serve" basis (Tr. 667:20 – 668:10). At
8 present, when a customer requests an extension, APS' distribution engineers use a
9 software tool called EMAN to estimate the cost of any given extension (Tr. 666:4-12).
10 Importantly, customers are only charged for the current cost of materials and equipment
11 (limited to "the bare minimum set of facilities that are needed in order to provide . . .
12 service of sufficient voltage and capacity") and labor connected with the extension and
13 not for extra equipment installed for the purpose of system planning (Tr. 356:15 – 357:5;
14 666:4-20; 667:14 – 668:15; 704:23 – 705:2). In other words, line extension customers are
15 only asked to pay for the additional costs that they are causing to the system in order to
16 bring them service (Tr. 697:8 – 698:21). Facilities or equipment installed for the benefit
17 of the system as a whole or for planning purposes are separated out and are not charged
18 directly to the customer for whom an extension is constructed (Tr. 667:14 – 668:15).

19 Accordingly, notwithstanding the bald assertions of certain apparently dissatisfied
20 APS customers who have sought bids on line extensions, there is no substantial basis in
21 the record for finding that APS has, to date, regularly overpriced its line extension jobs or
22
23

24 ¹ Others participating in the hearings seemed to have a slightly different, albeit closely
25 related, notion of "gold plating," referring instead, in the context of line extensions, to a practice
26 by which a public service company needlessly or inappropriately installs or upgrades facilities or
27 equipment when constructing an extension and charges the customer for such unnecessary
28 improvements, resulting in artificially increased prices (*see, e.g.*, Tr. 590:11-23; 593:15 – 594:10;
667: 4-19).

1 that it has gratuitously improved its facilities at the direct expense of individual line
2 extension customers.

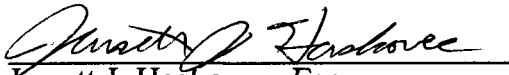
3 In any event, the above IBEW Locals note that the settlement agreement includes
4 several new features of Schedule 3 policy that would impose additional obligations on
5 APS. Such features include "[a] clarified definition of Local Facilities; [a] Schedule of
6 Charges; [a] statement that quotes provided to customers will be itemized; and
7 [p]rocedures for refunding amounts to customers when additional customers connect to
8 the line extension." (Settlement Agreement, p. 18). If adopted by the Commission, these
9 items should address many of the concerns raised by Intervenor Ms. Wyllie-Pecora
10 moving forward.

11 II. CONCLUSION

12 For the foregoing reasons, IBEW Locals 387, 640, and 769 respectfully request
13 that the Commission approve the settlement reached and submitted by the parties.

14 RESPECTFULLY SUBMITTED this 22nd day of October, 2009.

15 LUBIN & ENOCH, P.C.

16
17 
18 Jarrett J. Haskovec, Esq.
19 Attorneys for Intervenors
20 IBEW Locals 387, 640 & 769

21 Original and thirteen (13) copies of the
22 foregoing Reply Brief filed
23 this 22nd day of October, 2009, with:

24 Arizona Corporation Commission
25 Docket Control Center
26 1200 West Washington Street
27 Phoenix, Arizona 85007-2996

28 Copies of the foregoing
transmitted electronically this same date to:

Lyn Farmer, Chief ALJ
Hearing Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007-2927

1 Thomas L. Mumaw, Esq.
2 Arizona Public Service Company
3 P.O. Box 53999
4 MS 8695
5 Phoenix, Arizona 85072-3999
6 Attorney for Applicant

7 Janice Alward, Esq.
8 Chief Counsel, Legal Division
9 Arizona Corporation Commission
10 1200 West Washington
11 Phoenix, Arizona 85007-2927

12 Janet Wagner, Esq.
13 Maureen Scott, Esq.
14 Arizona Corporation Commission
15 1200 West Washington
16 Phoenix, Arizona 85007-2927

17 Steven M. Olea, Director
18 Utilities Division
19 Arizona Corporation Commission
20 1200 West Washington
21 Phoenix, Arizona 85007-2927

22 Daniel W. Pozefsky, Esq.
23 Residential Utility Consumer Office
24 1100 West Washington, Ste. 220
25 Phoenix, Arizona 85007
26 Attorney for Intervenor

27 Michael M. Grant, Esq.
28 Gallagher & Kennedy, P.A.
2575 East Camelback Road
Phoenix, Arizona 85016-9225
Attorneys for Intervenor for AIC

Gary M. Yaquinto
Arizona Investment Council
2100 North Central Avenue, Ste. 210
Phoenix, Arizona 85004
Representative for Intervenor

Timothy M. Hogan, Esq.
Arizona Center for Law in the Public Interest
202 East McDowell Road, Ste. 153
Phoenix, Arizona 85004
Attorney for Intervenor ASBA, *et al.*

David Berry
Western Resource Advocates
P.O. Box 1064
Scottsdale, Arizona 85252-1064
Representative for Intervenor

1 Jeff Schlegel
SWEEP
2 1167 West Samalayuca Drive
Tucson, Arizona 85704-3224
3 Representative for Intervenor

4 Jay I. Moyes, Esq.
Moyes Sellers & Sims
5 1850 North Central Avenue, Ste. 1100
Phoenix, Arizona 85004-0001
6 Attorney for Intervenor Az-Ag Group

7 Carlo Dal Monte, Energy Director
Catalyst Paper Company
8 65 Front Street, Ste. 201
Nanaimo, British Columbia V9R 5H9
9 Representative for Intervenor

10 Karen S. White, Esq.
Air Force Utility Litigation & Negotiation Team
11 AFLOA/JACL-ULT
139 Barnes Drive
12 Tyndall AFB, Florida 32403
Attorney for Intervenor FEA

13 C. Webb Crockett, Esq.
14 Fennemore Craig, P.C.
3003 North Central Avenue, Ste. 2600
15 Phoenix, Arizona 85012-2913
Attorney for Intervenor Freeport, *et al.*

16 Anthony S. Canty, Esq.
17 The Hopi Tribe
P.O. Box 123
18 Kykotsmovi, Arizona 86039-0123
Attorney for Intervenor

19 Douglas V. Fant, Esq.
20 Law Offices of Douglas V. Fant
3655 West Anthem Drive
21 Ste. A-109 PMB 411
Anthem, Arizona 85086
22 Attorney for Intervenor Interwest

23 Amanda Ormond
Interwest Energy Alliance
24 7650 South McClintock, Ste. 103-282
Tempe, Arizona 85284
25 Representative for Intervenor

26
27
28

1 Michael L. Kurtz, Esq.
2 Boehm, Kurtz & Lowry
3 36 East 7th Street, Ste. 1510
4 Cincinnati, Ohio 45202
5 Co-counsel for Intervenor Kroger

6 John W. Moore, Jr., Esq.
7 7321 North 16th Street
8 Phoenix, Arizona 85020
9 Co-counsel for Intervenor Kroger

10 Jeffrey J. Woner
11 K.R. Saline & Associates, PLC
12 160 North Pasadena, Ste. 101
13 Mesa, Arizona 85201

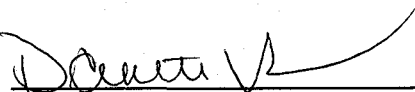
14 Lawrence V. Robertson, Jr., Esq.
15 2247 East Frontage Rd., Ste. 1
16 Tubac, Arizona 85646-0001
17 Attorney for Intervener Mesquite, *et al.*

18 Steve Morrison, Plant Engineer-Bellemont Facility
19 SCA Tissue North America
20 14005 West Old Highway 66
21 Bellemont, Arizona 86015
22 Representative for Intervenor

23 Michael A. Curtis, Esq.
24 Curtis, Goodwin, Sullivan, Udall & Schwab, P.L.C.
25 501 East Thomas Road
26 Phoenix, Arizona 85012-3205
27 Attorney for Intervenor Town of Wickenburg

28 Barbara Wyllie-Pecora
27458 North 129th Drive
Peoria, Arizona 85383
Intervenor

Cynthia Zwick
1940 East Luke Avenue
Phoenix, Arizona 85016
Intervenor



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